Canadian Centre
for Foreign Policy
Development

Centre canadien
pour le développement
de la politique étrangère

125 promenade Sussex Drive, Ottawa, Ontario K1A 0G2
Telephone/Téléphone : 613 944 8278 Fax/Télécopieur : 613 944 0687

REPORT FROM THE ROUNDTABLE ON ECONOMIC AND SOCIAL ISSUES IN AFRICA

Marketa Geislerova
Canadian Centre for Foreign Policy Development
November 15, 2001

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Telephone/Téléphone : 613.944.8278 www.cfp-pec.gc.ca Fax/Télécopieur : 613.944.0687

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Department of Foreign Affairs and International Trade
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REPORT FROM THE ROUNDTABLE ON
ECONOMIC AND SOCIAL ISSUES IN AFRICA
November 15, 2001
Ottawa, Ontario

The Canadian Centre for Foreign Policy Development organised a Roundtable on ***Economic and Social Issues in Africa*** *on November 15, 2001. It was the second of two preparatory Roundtables in advance of the National Forum on Canada's Foreign Relations, this year on Africa. Experts, academics, NGOs and government officials met to address economic and social issues in Africa and to recommend possible questions/issues for discussion at the National Forum. Participants included: John Serieux (Carleton University), Anna Kikwa (Tanzania Gender Network), Gauri Sreenivasan (CCIC, Africa-Canada Forum), Roy Culpeper (North-South Institute) and Frank Ruddock (Pan-African Affairs, Department of Foreign Affairs and International Trade). The first preparatory Roundtable examined Good Governance in Africa on October 25, 2001.*[1]

National Forum 2001:

- National Forum Meeting 1: Toronto, Ontario (January 25, 2002)
- National Forum Meeting 2: Montreal, Quebec (February 8, 2002)
- National Forum Meeting 3: Saint John, New Brunswick (February 15, 2002)
- National Forum Meeting 4: Vancouver, British Columbia (February 25, 2002)

For more information on this year's National Forum and reports from previous years, please visit:
http://www.cfp-pec.gc.ca/NationalForum/nati-e.htm

1. Introduction

Steven Lee (Chair) welcomed all the participants to the Roundtable. He said that the mandate of the Canadian Centre for Foreign Policy Development is to help Canadians contribute to foreign policy making. As well as funding policy development projects and organising roundtables, the Centre holds the annual National Forum on Canada's International Relations. This year, the National Forum will contribute to the development of Canada's Africa policies and takes place in the context of both, the Prime Minister's Africa focus for the G-8 Summit agenda, and the *New Partnership for Africa's Development*, outlined by African leaders (earlier known as the New Africa Initiative).

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[1]See, The Canadian Centre for Foreign Policy Development, *Summary Report from the Roundtable on Good Governance and Africa* (Ottawa, 25 October, 2001), No 4008.1E.

Lee set out two goals for the discussion:

1. To build partnerships and to promote networking among experts, NGOs and officials engaged in African studies/issues.
2. To create an informal group which the CCFPD could draw on for advice and expertise for the National Forum. The group could help generate discussion questions, identify key issues, and recommend some possible participants for the National Forum meetings.

2. Debt and Investment

John Serieux (Carleton University) addressed issues related to debt and investment in Africa. He said that economic data give reason for pessimism:

- Per capita economic growth has been negative in sub-Saharan Africa over the last two decades.
- Of the 42 Heavily Indebted Poor Countries (HIPC), 34 are on the African Continent. In addition, Morocco, Nigeria and Zimbabwe face significant debt related challenges.
- In 1996-1999 sub-Saharan Africa had an investment rate of only 69% that of East Asia.

There are also some reasons for optimism, including:

- 20 of the 24 countries that have began to receive HIPC debt relief are on the African continent.
- Foreign Direct Investment (FDI) increased significantly at the end of the 1990s, though it is still limited in scope and distribution.

Serieux further examined four issue areas:

1. The HIPC Initiative

Two of the 20 African countries eligible for HIPC have reached their HIPC decision point (Uganda and Mozambique). Most of those countries remaining are conflict-affected and face problems not recognised by the HIPC Initiative – putting their eligibility into question. This problem raises some serious questions for the Initiative's basic assumptions, including:

- whether the International Financial Institutions (IFI) adjustment program can be implemented
- whether there is a viable institutional framework for policy development and implementation
- that a widespread consultation is immediately possible
- that the conventional poverty reduction is a viable first priority.

These assumptions may not be adequate because:

- arrears to IFIs make HIPC implementation problematic
- reconstruction is likely to be the overwhelming imperative
- the IFIs do not have a comparative advantage in institutionally weakened economies.

2. Future financing of debt relief

- Current provisions for multilateral financing of debt relief covers only 32 countries.
- Given the excessive optimism of forecasts and the deteriorating global economic environment, the need for further debt reduction is a near certainty.

3. The post-HIPC strategy

The current strategy for maintaining debt sustainability is almost exclusively based on "appropriate" policy. However, the evidence suggests that non-policy related factors (related to county vulnerabilities) may be as or more important as policy related factors. Country vulnerabilities include:

- a narrow export base
- a weak domestic physical and institutional infrastructure
- domestic supply shocks
- pro-cyclical ODA and FDI.

Necessary additions should include:

- a more permanent facility for dealing with developing countries' debt
- better lending instruments that relate the price of credit to both country repayment capacity and the cause of the shortfall
- more anti-cyclical resource flows.

4. Investment and growth:

- the larger bottleneck may well be in domestic investment
- a return to positive per capita growth would require a correction of the investment domestic deficits (both human and physical).

Discussion developed around the issue of domestic investment. Serieux said that structural rather than policy approaches should be implemented to address domestic investment bottlenecks, including:

- building an active and productive bureaucracy/building administrative capacity to ensure that the private sector has a predictable business (investment) environment,
- removing intermediation obstacles to ensure an easy flow of money from those who wish to save and those who wish to invest,
- improving the quality of human capital/stemming the brain drain.

While the HIPC Initiative is useful and offered more than any other programme in the past, it falls short in two areas. First, the Initiative is not adequate for heavily indebted countries facing conflict. Second, there is no strategy once debt relief reaches the limits of available financing (the levels of which were underestimated), in other words, the Initiative

> Canada could play a role in ensuring that the dialogue on debt relief continues even after the resources allocated through the HIPC Initiative dry up.

does not address future debt relief.

Some participants, including Roy Culpeper (North-South Institute) doubted the feasibility of achieving and sustaining the average Gross Domestic Product (GDP) growth rate of 7% per annum, as pledged in the *New Partnership for Africa Initiative*. Serieux added that it would be more useful to build capacity to grow rather than setting up artificial growth targets.

3. Trade Rules and Poverty

Gauri Sreenivasan (Canadian Council for International Cooperation) said that trade should contribute to poverty eradication. Trade arrangements should aim to maintain sustainable livelihoods and respect democratic decision making. While the international trading system can play a positive role in linking national and global economies, harmonisation of global trade rules does not reflect poverty reduction and development needs. Differential treatment provisions are often weak, difficult to enforce, and have a short term-focus. Sreenivasan emphasised that the capacity of African states to participate in building trading regimes and making trade rules should be boosted.

Priorities for African development have been clearly articulated in the *New Partnership for Africa Initiative*. They include: agriculture, human development issues (health, education, skills development), and promoting diversification of production and exports. Sreenivasan pointed out that these priorities should be incorporated into trade policy. Attention should be paid to removing impediments to and developing strategies to build capacity for local and regional trade. The global trade agenda should appreciate the fact that some trade rules may actually hinder domestic development. For instance, the dumping of agricultural produce on domestic markets undermines local African producers. Special provisions to allow developing countries to support farmers should be made. While there was a positive outcome on TRIPS (Trade-Related Aspects of Intellectual Property Rights) in Doha regarding the protection of public health, the imports of generic drugs remain restricted. The officials at Doha addressed market access issues, but more work needs to be done. Some key issues, including how to diversify developing economies, are not on the table.

A point was made during the discussion that trade should not be the dominant discourse and that trade discussions should incorporate human rights issues. This approach should be accompanied by an understanding that special provisions/derogations have to be introduced in certain cases and that while international trade can be harmonised, it can not be entirely "free." Some participants added that some asymmetry in trade policy is required. Nevertheless, the dominant trade liberalisation approach has not changed as much in the recent past as approaches to capital deregulation have, for instance, and the notion that "one size fits all" continues to be a norm.

The need to go beyond the "market access" discussion was raised. Some participants pointed out that opening up Western/Northern markets to African products is insufficient because African producers can not compete with Western/Northern producers on an equal basis. First, capacity to

invest should be enhanced and value added to products made in African countries.

4. Economic Justice in Africa

John Mihevc (KAIROS) pointed out that KAIROS assists the Churches in elaborating public policy positions regarding the impact of government and corporate actors on vulnerable and marginalised groups. For instance, KAIROS monitors and reports on the impact of Canadian foreign interests on the people in the "global south." KAIROS also belongs to the Halifax Initiative and was involved in the International Jubilee campaign (calling for 100% debt cancellation for the poorest countries and an end to Structural Adjustment Programs). KAIROS promotes the full cancellation of the debt of the HIPC countries.

Mihevic outlined the Structural Adjustment Participatory Review Initiative (SAPRI) undertaken, among others, by KAIROS and the Halifax Initiative. He said that SAPRI began as a challenge to Jim Wolfensohn when he became President of the World Bank six years ago and popular protests against Structural Adjustment policies took place throughout the "South." The people most affected by these policies were seen as "having neither the wisdom nor the right to contribute to the policy debates in their own countries." The groups that met with Wolfensohn and his staff sought to engage the Bank with civil society organisations in the South to help bring them and their constituencies into the economic decision-making process. Wolfensohn accepted the challenge and requested that a mechanism be designed and established for carrying such an initiative. A broad group of NGOs from around the world organised themselves into a global network – Structural Adjustment Participatory Review Initiative Network (SAPRIN), and proposed a series of in-depth, broad-based consultations around the world.[2] While the World Bank accepted this proposal and acknowledged the importance of local knowledge, experience and analysis in the formulation of economic policies, it was not prepared to learn from the output of the consultations. Little of the civil society input made its way back to Washington, none made its way into the Bank's own adjustment assessment.

The consultations addressed the experience of civil society with SAP, including:

- the impact of trade liberalisation policies on local industries, small enterprises, rural producers, the agricultural sector, domestic production, employment and workers
- privatisation of public utilities, services, and other state-owned entities
- agricultural sector reform
- the impact of labour market reforms on workers
- liberalisation of the financial sector and the problems of credit access for local producers
- public expenditure reform.

The outcome of the consultations and research shows that the efficiencies and competitiveness that Structural Adjustment policies meant to generate failed to materialise. Overall, Structural

[2] These countries include: Ecuador, El Salvador, Bangladesh, Ghana, Mali, Uganda, Zimbabwe, Hungary.

Adjustment Programmes have had high social costs, especially for women. In some instances, they have contributed to the destruction of national productive capacity. Therefore, there is a need for new approaches to economic policy which will require a significant shift away from the Structural Adjustment paradigm.

New directions in economic policy could include:

- emphasis should be on the development of well-integrated economies (strong links among the agricultural, industrial and other sectors)
- trade policy should serve to build a strong manufacturing sector and support decentralised agro-industrial production
- trade liberalisation should not be implemented before an industrial policy is in place to address the structural constraints causing the inefficient operation of local enterprises
- efficiency-enhancing measures (technological upgrading, technical assistance) should be the focus of efforts to help firms confront import competition
- trade policy should support a country's strategic sectors
- access to long-term loans at affordable interest rates for small and medium-size businesses should be enhanced
- investment that creates local economic linkages and that is not import-intensive should be encouraged (to avoid growing account deficits)
- investment should be made in the agricultural sector before import liberalisation in order to ensure the viability of small farms as well as food security, particularly in rural areas
- the legal and policy framework of the mining sector should be overhauled so that companies have greater responsibility and accountability with regard to environmental and social issues
- public utilities and basic social services should remain under state or local government ownership in order to best ensure the provision of affordable, quality services to all segments of the population.

The lack of viable alternatives to Structural Adjustment Programmes was addressed during the discussion. Some participants pointed out that a good articulation of economic policy that addresses distributional issues is missing. What should a "pro-poor" economic policy look like, especially in the context of the increasing reliance on monetary policy (as supposed to fiscal policy) and the decline of the activist state? Miheve pointed out that exploring alternative economic policy options to Structural Adjustment Programmes was the next stage of SAPRIN's work.

5. Human Rights Approach to Food Security

Donald Buckingham (University of Ottawa) examined the international evolution of the right to food. He also addressed the right's recognition and implementation in Canada. He pointed out that both recognition and implementation of the right have been difficult for several reasons, including:

- The state obligation to provide food or to recognise an individual's right to food is a

relatively recent concept.

- The right to food falls under the general heading of Economic, Social and Cultural Rights, which were relegated to a lower status of rights in favour of Civil and Political Rights during the Cold War. As a result, an institutional capacity imbalance emerged in favour of the later.
- While Civil and Political Rights were categorised as negative rights (i.e., governments only need to refrain from certain acts to implement them), Economic, Social and Cultural Rights fell in the category of positive rights and were, therefore, assumed to involve significant financial resources.

Since the 1940's, the right to food has been established in several international instruments and binding treaties, including:
- The Universal Declaration of Human Rights [Article 25(1)],
- The International Covenant on Economic, Social and Cultural Rights (Article 11),
- Food Aid Conventions,
- The United Nations Convention on the Rights of the Child (Article 27), and
- The Rome Declaration on World Food Security and World Food Summit Plan of Action.

Buckingham pointed out that the right to adequate food imposes three levels of obligations on states: 1) to respect, 2) to protect and 3) to fulfill. Implementation of the right must necessarily begin at the national level. As Canada has signed and ratified the International Covenant on Economic, Social and Cultural Rights (1976); it is bound to comply with the implementations requirements. (Canada is required to submit a report to the UN Committee on Economic, Social and Cultural Rights every six years outlining progress in implementing the International Covenant). While findings show that there are some unresolved economic issues which adversely affect some Canadians' right to adequate food, the Government of Canada has maintained it has been a strong international advocate for the right (citing its strong presence at the World Food Summit in 1996 and its co-sponsorship of Resolution 1999/24 "The Right to Food" – adopted by the UN Commission on Human Rights). At home, the Canadian Government, in consultation with civil society, has adopted Canada's Action Plan For Food Security.

Buckingham encouraged a rights-based approach to advocacy, which entails:

- Seeing our own food policy through a right to food lens (i.e., making Canadian legislation "right to food" sensitive).
- Making our foreign policy objectives and programmes align with a right to food approach (i.e., CIDA programming that does not imperil food rights in recipient countries).
- Incorporating a right to food approach in our discourse at multilateral negotiations (i.e., examining the impact of trade policies on food security at the WTO).

A point was made during the discussion that the political choices and political will of African governments are key in ensuring access to food for Africans. Outside actors could help build the capacity of African countries to become self-sufficient in the production of food and to reduce their reliance on food imports. Technical assistance including water management or food

storage/preservation techniques could be useful.

6. Policy Options for Canada and Ideas for the National Forum

Policy options for Canada included:

- Canada could unilaterally declare duty/tariff free imports from some (or all) developing countries.

- Canada could encourage investment in Africa through socially responsible programmes.

- Canada could continue to play a leading role in multilateral fora on debt reduction/relief, including the support for a continuing dialogue after the resources allocated through the HIPC Initiative dry up.

- Canadian ODA should be "human rights sensitive" – human rights, including the right to food, should be added to the list of requirements for projects/programming.

- Canada could set up a donor-monitoring and evaluation system to enhance the effectiveness of aid from the donor side.

- Canada should push for tangible initiatives at the G-8 Summit in Kananaskis on two issues in particular: debt reduction and market access.

- Canada could assist in bringing African civil society into the *New Partnership for Africa's Development* process, by encouraging African leaders to consult/engage civil society more extensively and broadly.

- Canada could champion some Poverty Reduction Strategy Papers (PRSPs).[3]

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[3]Poverty Reduction Strategy Papers (PRSP) are prepared by the member countries through a participatory process involving domestic stakeholders as well as external development partners, including the World Bank and International Monetary Fund. Updated every three years with annual progress reports, PRSPs describe the country's macroeconomic, structural and social policies and programs over a three year or longer horizon to promote broad-based growth and reduce poverty, as well as associated external financing needs and major sources of financing. Interim PRSPs (I-PRSPs) summarize the current knowledge and analysis of a country's poverty situation, describe the existing poverty reduction strategy, and lay out the process for producing a fully developed PRSP in a participatory fashion. The country documents, along with the accompanying IMF/World Bank Joint Staff Assessments (JSAs), are being made available on the World Bank and IMF websites by agreement with the member country as a service to users of the World Bank and IMF websites. See: http://www.imf.org/external/np/prsp/prsp.asp

- As a leading knowledge economy in the world, Canada could help build capacity in African countries through developing "training and learning links." This would require extensive cooperation among the public and private sectors both, in Canada and in Africa.

Ideas for the National Forum included:

- The National Forum meetings should draw on the experience and expertise of African Canadians. The capacity building potential of the African diaspora living in Canada for their native countries in Africa should be recognised and enhanced.

- One of the goals of the National Forum should be to raise awareness about African issues across Canada.

Roundtable on Economic and Social Issues in Africa

List of Participants
November 15, 2001
Department of Foreign Affairs and International Trade, Room C3-500

Gauri Sreenivasan
Coordinator of Policy Team
Africa-Canada Forum
Canadian Council for International Cooperation

Bernard Taylor
Partnership Africa Canada

Roy Culpeper
President
North-South Institute

Anna Kikwa
Tanzanian Gender Network

Dwayne Wright
Executive Director
Trade Facilitation Office of Canada

Charles Mugiraneza
Alternatives

Adam Odwar
Secretariat for African Trade Development and Internet Services

Doug Anglin
Professor of Political Science
Carleton University

John Serieux
Lecturer
Carleton University

Don Buckingham
Professor
University of Ottawa

Grant Thomas
Chief Executive
Knowledge Resources Canada Inc.

Akouété Akakpo-Vidah
Africa Regional Officer
Rights and Democracy

John Mihevc
Researcher
African Human Rights and Economic Justice Section
KAIROS

André Guindon
Regional Coordinator for Africa
Federation of Canadian Municipalities

Boris Jacouty
Halifax Initiative

Kathryn Dunlop
Analyst
Southern Africa Program
CIDA

Michael Wodzicki
Policy Advisor (Africa)
Hon. David Kilgour, Secretary of State (Latin America and Africa)
DFAIT

Frank Ruddock
Coordinator
Pan-African Affairs
DFAIT

Émilie Potvin

Political/Economic Affairs Officer
Eastern and Southern Africa Division
DFAIT

Ina Parvanova
Strategist - G8
Foreign Policy Communications Division
DFAIT

Steven Lee
Executive Director
Canadian Centre for Foreign Policy
Development
DFAIT

Marketa Geislerova
Policy Analyst/Rapporteur
Canadian Centre for Foreign Policy
Development
DFAIT

Julie Rechel
Events Organizer
Canadian Centre for Foreign Policy
Develompent
DFAIT